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# The importance of service branding in multi-channel e-commerce success: Towards a research framework

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## Abstract

*Better customer service and the corresponding increase in customer loyalty and overall spend are frequently cited as the reasons multi-channel retailers are more profitable than pure-play e-tailers and traditional bricks and mortar organisations. This implies that multi-channel retailers need a strong service brand to achieve the benefits of multi-channel e-commerce. Considerable literature exists on services branding and on multi-channel e-commerce strategy but few studies have explored the relationship between the two. In this work-in-progress we discuss the importance of services branding in multi-channel e-commerce and develop a research framework for the impact of multi-channel e-commerce strategy elements on services branding.*

## INTRODUCTION

Multi-channel organisations have an increased ability to attract new customers, and to retain and increase the value of existing customers. This is achieved through enhanced adaptability, personalisation, convenience, and customer support (Bahn & Fischer, 2003; Goersch, 2002; Steinfield, Bouwman, & Adelaar, 2002). The common theme here is improved customer service which can lead to differentiation.

Despite the competitive advantages of customer service, research in multi-channel e-commerce has largely ignored services branding. Where it is discussed, it has concentrated on the external (presented) brand rather than the delivered (service) brand. Companies with an existing presented brand can promote the brand name, logo, colours, and slogans across multiple channels, contributing to greater customer recognition and trust (Goersch, 2002). Some writers hold that brand equity and trust can readily be transferred from physical retail outlets to Internet channels (Bahn & Fischer, 2003; Goersch, 2002; Reynolds, 2002; Willcocks & Plant, 2001), while others suggest the Internet can be used independently as a branding mechanism in a multi-channel context (Rohm & Milne, 2003).

In this paper we argue for the importance of service branding in multi-channel e-commerce, critique some previous models and present a new research framework.

## LITERATURE REVIEW

In services marketing, the customer consumes the process of service delivery, rather than a physical product. Gronroos (2001, p. 46) notes, “there are no physical products to manage in services marketing, only resources and a system that governs the process that produces a result for the customer.” In most multi-channel e-commerce offerings physical products are traded but the value proposition to the customer from any particular channel is the quality of service because the same product can be obtained from other channels. This suggests that multi-channel e-commerce requires an understanding of both product and services marketing and the ability to develop a service brand rather than merely extending its existing product brand (Kocas, 2003).

The multi-channel e-commerce strategy elements (MC-SE) we presented here are elements we have previously identified in case study research (Tate, Coker, & Hope, forthcoming). The service branding strategy elements (SB-SE) we identified from a subsequent literature review when it became clear to us that service brand was an essential component of the case organisation’s multi-channel e-commerce strategy.

**MC-SE1: Functional Integration** refers to the degree to which channels share common organisational resources within a multi-channel environment. For example, channels could share functional departments such as finance, marketing, and logistics. (Barua, Konana, Whinston, & Yin, 2001; Goersch, 2002; Lee & Whang, 2001; Schoenbachler & Gordon, 2002; Steinfield et al., 2002; Willcocks & Plant, 2001). It is important for business units to also share “emotional integration,” that is, to subscribe to a shared identity and meaning (Ghoshal & Gratton, 2002).

**MC-SE2: Information Management** is defined as the process by which information is collected, stored, analysed, and applied (Willcocks & Plant, 2001). Good information management requires integration of

information systems in three areas: application infrastructure (payment transaction processing), internal and external communications infrastructure, and IT management (Weill & Vitale, 2002).

**MC-SE3 Quality Process Engineering** refers to the development and maintenance of appropriate, standardised procedures for marketing, selling and distributing goods or services. Quality processes are especially important in organisations that do most of their selling remotely and those that sell experience goods. For experience goods, consistency between presentation and customer experience of sensory elements such as colour and texture are important (Barua et al., 2001).

**MC-SE4: Channel Synergy** is defined as the degree to which channels consistently provide a seamless communication and purchasing experience for customers. (Reardon & McCorkle, 2002; Schoenbachler & Gordon, 2002; Simons, Steinfield, & Bouwman, 2002; Steinfield et al., 2002). Channel synergy provides the customer with ease of movement across channels so pricing and inventory information must be consistent across channels (Goersch, 2002).

**MC-SE5: Logistics Management** in a multi-channel strategy involves the ability to effectively and efficiently fulfil orders arising from multiple sources. Of particular importance is order fulfilment on remote selling channels because these are the most expensive (Lee & Whang, 2001; Pyke, Johnson, & Desmond, 2001).

**MC-SE6: Customer Management** is a firm's ability to process customer information and offer customer service in a manner likely to foster and retain customer loyalty (Barua et al., 2001; Kaufman-Scarborough & Lindquist, 2002; Lee & Whang, 2001; Schoenbachler & Gordon, 2002; Simons et al., 2002; Steinfield et al., 2002). It is important because company profits can be dramatically increased from small increases in customer retention rates (Reichheld, 1996 cited in (Winer, 2001).

**MC-SE7: Brand Management** in a multi-channel context is defined as a firm's ability to reinforce and leverage a consistent brand image across channels (Bitner, Ostrom, & Meuter, 2002; Goersch, 2002; Kocas, 2003; Willcocks & Plant, 2001). Multi-channel firms can obtain advantage over single channel firms by having more customer interfaces, allowing increased brand visibility and marketing economies of scale (Schoenbachler & Gordon, 2002). Building a strong service brand requires a track record of delivering on promises, for example, meeting promised delivery times, and reliability across all customer contacts (Bitner, Brown, & Meuter, 2000).

**SB-SE1 Consistent experience in the delivered service brand:** There is an important difference between *presented brand* (represented by external communications such as advertising, slogans, and images) and *delivered brand* (represented by the customer's experience with the company) (Berry, 2000). The importance of delivered brand strengthens with each contact with the company, to become the dominant factor over time. As Berry (2000, p130) notes, "A presented brand cannot ...rescue a weak service".

**SB-SE2 Quality Management of internal resource systems:** Even before the diffusion of e-commerce, quality in personnel, technology, physical resources and systems, was recognised as an integral part of developing a services brand (Gronroos, 1994). Multi-channel e-commerce transfers some aspects of customer service from employee-assisted service to self-service via a website or call centre (Bitner et al., 2000). Achieving e-service quality requires a whole new set of organisational competencies and resource systems, including website design and usability (Barnes & Vigden, 2002), information and content management (Li, Tan, & Xie, 2002); confidence in logistics and fulfilment (Barnes & Vigden, 2002).

**SB-SE3 Organisational culture - internalised brand values:** Quality and commitment must be more than skin-deep. Such total commitment has been referred to as the *internal brand* (Chernatony, Drury, & Segal-Horn, 2003). To possess a strong service brand an origination must have clear and deeply embedded values that are *lived* by the staff.(Berry, 2000; Chernatony et al., 2003). As Berry (2000, p. 134) observes "Corporate values cannot be faked...the company's true values emerge in the customer's experience with the service."

**SB-SE4 Internal training and reinforcement:** Creating a strong internal brand requires extensive staff training and development, and internal marketing (Chernatony et al., 2003; Gronroos, 1994).

**SB-SE5 Emotional connection:** From the customer perspective, a strong service brand is often associated with a sense of emotional connection to the organisation because the brand captures and communicates customer values (Berry, 2000). .

In summary, success in multi-channel e-commerce requires an understanding of both presented and delivered service brands, and commitment to excellent customer service (an internal brand). This may be achieved through extensive staff training and quality management of a diverse range of internal resource systems.

## Models of multi-channel e-commerce strategy and services branding

While we could find no research directed at multi-channel e-commerce strategy and services branding, (Barua et al., 2001) model of e-business value creation (Figure 1) and (Goersch, 2002) model of the relationship between multi-channel e-commerce strategy elements and business outcomes (Figure 2) are useful.

(Barua et al., 2001) model includes two service quality metrics among ‘customer outcomes’ the percentage of customer service delivered on-line, and order delivery time. This reinforces our assertion that multi-channel e-commerce has a service quality value proposition for the customer. “Smart organisations” they suggest “work to transfer existing customer relationships on-line and strengthen them by providing superior service.”

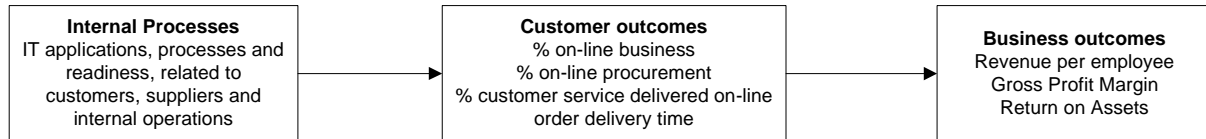


Figure 1: Model of e-business value creation: Adapted from (Barua et al., 2001)

(Goersch, 2002) presents a comprehensive model exploring the relationship between multi-channel e-commerce strategy elements and business outcomes. The model proposes six *integration elements* leading to a range of *consumer benefits* and ultimately to *retailer benefits*. In broad terms, this is similar to (Barua et al., 2001) model, with value-creating operational strategies based on integration leading to a customer value proposition based primarily on service quality (consumer benefits), leading to business value creation. A weakness of Goersch’s model is that it offers a narrow view of service brand, with a focus on the presented brand, as opposed to the delivered brand. Based on previous studies in service branding, we know that once the customer has interacted with the organisation, the quality of the delivered service supersedes the presented brand (Berry, 2000).

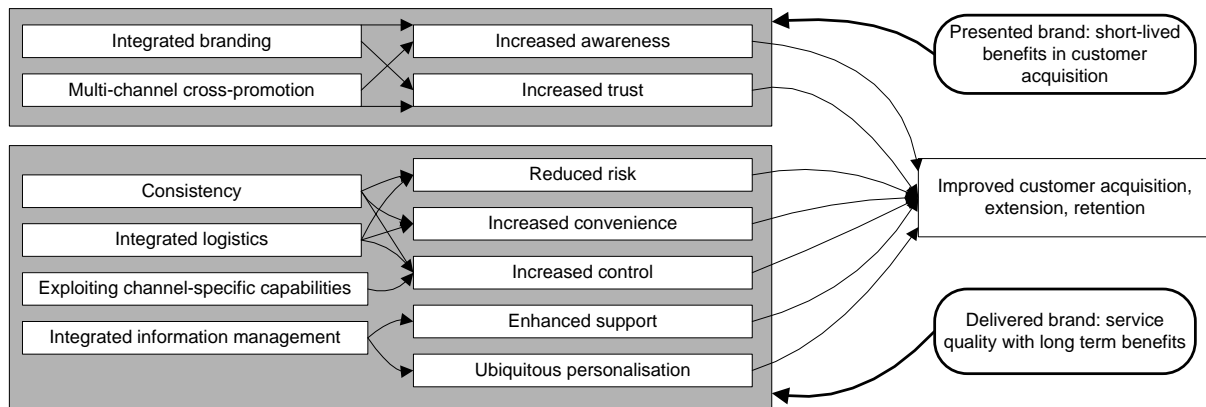


Figure 2: The relationship between multi-channel e-commerce strategy and business outcomes: Adapted from (Goersch, 2002)

In summary, we were able to identify two models that provided implicit support for our assertion of the importance of service branding multi-channel e-commerce success. However, in both models the service branding elements were implicit and not well-supported by service branding literature, and in the case of Goersch’s model, there was a strong focus on presented brand at the expense of delivered (service) brand. Consequently, we have developed a preliminary framework to address these weaknesses (Figure 3).

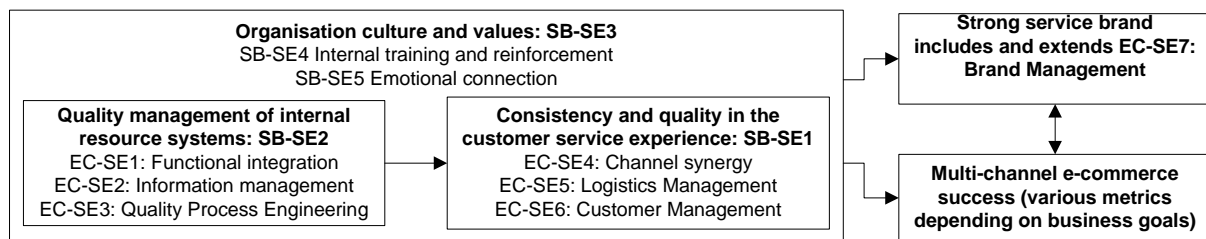


Figure 3: Research framework of service branding and multi-channel e-commerce strategy

**Quality management of internal resource systems:** This construct was generalised from factors relating to the internal management of resource systems in the e-commerce and service branding literatures (MC-SE1, MC-SE2, MC-SE3, SB-SE2). While quality management of internal resource systems is commonly recommended in the service branding literature, we could not identify a similar consensus in the e-commerce

literature. Only one e-commerce strategy study found quality process engineering to be important (Barua et al., 2001). We recommend further research into this factor within the e-commerce literature.

**Consistency and quality in customer experience:** Both the e-commerce and service branding literatures emphasize the importance of quality and consistency in customer experience. The e-commerce literature concentrates on specific customer experiences, especially up-front customer management (MC-SE6) and back-end logistics management (MC-SE5). Channel synergy (MC-SE4) is also widely recommended by e-commerce researchers. By contrast, service branding literature takes a more holistic view, considering every contact with the organisation as an opportunity to reinforce the brand.

**Appropriate organisational culture and values (SB-SE3):** The service branding literature suggests that quality internal systems deliver consistent customer experiences. This requires staff training (SB-SE4) to enable them to portray brand values that resonate emotionally with customer (SB-SE5).

**Strong service brand** is an outcome of consistency and quality in customer experiences. The e-commerce literature suggests that multi-channel e-commerce provides opportunities for any existing service brand to be enhanced by superior convenience, personalisation, and customer sense of control. In organisations that have previously focussed on product marketing, multi-channel e-commerce can provide an opportunity to offer a brand and value proposition based on superior service. Specific metrics require further research and validation, but could include those suggested by (Barua et al., 2001; Goersch, 2002)

**Multi-channel e-commerce success:** In many of the studies we examined, the metrics identified for e-commerce success also incorporate customer service metrics. This might suggest that a service brand is simply a subset of overall multi-channel e-commerce success. We have chosen to provide separate constructs for multi-channel e-commerce success and a strong service brand. The justification for this is the complexity of the relationship between service quality and profitability. In our view, a failure to recognise this complexity is a weakness of some of the existing models of multi-channel e-commerce business value creation. Therefore, although research suggests a relationship between service brand and overall business success, we believe it would be an oversimplification to consider service branding to be merely a subset of business success metrics. Furthermore, some organisations have multi-channel e-commerce goals that are potentially incompatible with service branding, for example, the financial sector has often cited a reduced cost per transaction as a major justification for introducing an on-line channel. We therefore recommend measuring service brand strength as a separate outcome arising from a multi-channel e-commerce strategy.

## CONCLUSION

As a work-in-progress, the research framework has limitations. It is based on literature and a single case study. The case data requires re-analysis to validate the framework and further data may need to be obtained from the case organisation and other organisations. This will likely be followed by quantitative research to validate the model dimensions and relationships.

Although the research is exploratory, it raises some interesting research issues. First, it demonstrates the importance of service branding to multi-channel e-commerce success and suggests that more research should be directed to understanding and applying practices from service management and service branding literature to e-commerce. Second, it challenges previous multi-channel e-commerce strategy studies that suggest branding can be managed independently of other strategy elements. Our review suggests that only the presented brand can be managed in this way, and that any benefits from management of the presented brand in isolation from delivered brand will be temporary and primarily in initial customer acquisition. By modelling the relationship between strategy elements, this model may help to explain organisational failures in moving to multi-channel e-commerce. In particular, these findings suggest that incremental change, unless it is supported by a holistic commitment to the quality management of internal systems, is unlikely to succeed.

Relatively few previous studies in multi-channel e-commerce have modelled the relationship between various e-commerce strategy elements. Even fewer have considered the importance of service branding to multi-channel e-commerce. In this work-in-progress study, we develop a research framework based on service branding and e-commerce strategy literature. We suggest that a service brand contributes significantly to the success of multi-channel e-commerce. This raises many interesting questions for future research, and offers considerable opportunities to explain both success and failure in multi-channel e-commerce offerings.

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